

Message Text

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ACTION H-03

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R 071339Z DEC 76

FM AMEMBASSY LISBON

TO SECSTATE WASHDC 9443

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY MADRID

AMEMBASSY MOSCOW

AMCONSUL OPORTO

AMEMBASSY PARIS

AMCONSUL PONTA DELGADA

USMISSION NATO

DIA WASHDC

USCINCEUR VAIHINGEN GER

C O N F I D E N T I A L SECTION 1 OF 2 LISBON 8425

DEPT PLS PASS SENATOR BROOKE'S OFFICE

E.O. 11652: GDS

TAGS: PFOR, PINT, ECON, ELAB, OVIP, OTRA, PO

SUBJ: CODEL BROOKE CONVERSATION WITH PRIME MINISTER

SOARES

SUMMARY: SOARES UNDERScored TO SENATOR BROOKE THE IMPORTANCE OF ECONOMIC RECOVERY TO DEMOCRACY IN PORTUGAL. THE GOVERNMENT HAS MADE PROGRESS IN CHANGING THE ECONOMIC CLIMATE AND IS ALSO MOVING VIGOROUSLY AGAINST THE PCP STRONGHOLDS IN LABOR AND AGRICULTURE. THE GOP'S EFFECTIVENESS IS HAMPERED BY PCP PENETRATION OF KEY MINISTRIES, BUT GRADUALLY THE GOVERNMENT IS GAINING CONTROL OF THE BUREAUCRATIC MACHINE. SOARES PRAISED PRESIDENT EANES WITH WHOM HE HAS A GOOD RAPPORT, BUT ADMITTED HE HAD DIFFICULTIES WITH THE ASSEMBLY. GROWING PSD HOSTILITY IS FORCING THE GOVERNMENT TO SEEK SUPPORT FROM THE PCP. THE PSD CANNOT TOPPLE THE GOVERNMENT AND HE WOULD TRY TO PERSUADE THE PSD OF THE FOOLISHNESS OF ITS CURRENT STRATEGY. END SUMMARY.

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1. ACCOMPANIED BY AMBASSADOR AND PROFESSIONAL STAFF MEMBER ROSSITER, SENATOR BROOKE SPENT ONE HOUR WITH MARIO SOARES, DECEMBER 6.

2. GOVERNMENT ACTION. AFTER INITIAL COURTESIES SOARES SAID THE CRITICAL PROBLEM IN PORTUGAL IS TO ESTABLISH THE LINK BETWEEN ECONOMIC STABILIZATION AND DEMOCRACY. WITHOUT AN ECONOMIC BASE THERE CAN BE NO POLITICAL STABILITY. THE GOVERNMENT, HE SAID, HAS ALREADY TAKEN THE INITIAL STEPS TO MODIFY THE COUNTRY'S ECONOMIC LIFE. MANY OBSERVERS THOUGHT THAT WHEN THE GOVERNMENT MOVED IN AN AREA SUCH AS UNION DUES CHECK-OFF AND AGRICULTURAL REFORM THERE WOULD BE A VIOLENT REACTION AND THAT PORTUGAL WOULD EXPERIENCE A "HOT SUMMER." TO THE CONTRARY THINGS ARE MOVING PEACEFULLY. IN THE LAST COUPLE OF WEEKS THE GOVERNMENT HAD HIT THE PCP HARD, MOVING AGAINST THEM IN THE ALENTEJO AND IN THE LABOR AREA. THE PCP RECEIVED A FURTHER SETBACK WITH THE PUBLICATION OF THE REPORT ON HUMAN RIGHTS DURING THE PERIOD WHEN THEY WERE IN POWER. YET INSTEAD OF AN ALL OUT ATTACK ON THE GOVERNMENT THE PCP WAS TRYING TO NEGOTIATE WITH IT. THIS WAS A FAVORABLE SIGN.

3. IMPROVED INDICATORS. SOARES CITED AS EXAMPLES OF THE IMPROVED CLIMATE THE REDUCTION IN ABSENTEEISM, A PROJECTED INCREASE IN GNP OF 5 PERCENT THIS YEAR, A 22 PERCENT INCREASE IN UTILIZATION OF CEMENT AND STEEL IN CONSTRUCTION, AND AN INCREASE OF 93 PERCENT IN TOURISM THIS OCTOBER COMPARED WITH OCTOBER OF LAST YEAR. HE ACKNOWLEDGED THAT THE SITUATION IS NOT PERFECT, BUT NEITHER IS IT AS BAD AS THE PAPERS AND POLITICIANS SAY IT IS. HE HAS HAD SUBSTANTIAL CONTACT WITH THE PEOPLE AND THEY COMPREHEND THE PROBLEMS FACING THE GOVERNMENT. HE HAS IN HAND A HIGHLY CONFIDENTIAL SURVEY WHICH SHOWS THAT 53 PERCENT OF THE PEOPLE ARE PLEASED WITH THE WAY THE GOVERNMENT IS MOVING.

4. POLITICAL-MILITARY SITUATION. THE POLITICAL-MILITARY SITUATION, SOARES SAID, IS STABLE. IF THE GOP CAN ACCELERATE ECONOMIC RECOVERY, JOIN THE COMMON MARKET, CONFIDENTIAL

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AND COUNT ON THE FINANCIAL SUPPORT OF THE US, IT WILL HAVE PASSED THROUGH THE WORST STAGE AND BE ON THE ROAD TO CONSOLIDATING DEMOCRACY IN PORTUGAL. HE NOTED THE IMPORTANCE TO THIS PROCESS OF THE EFFORTS TO STABILIZE THE MILITARY AND INTEGRATE THEM INTO EUROPE THROUGH THE CREATION OF THE NATO-LINKED BRIGADE.

5. MUNICIPAL ELECTIONS. IN RESPONSE TO A QUESTION,

SOARES THOUGHT THE RESULTS OF THE DECEMBER 12 ELECTIONS WOULD NOT SIGNIFICANTLY ALTER THE EXISTING SITUATION. THE PCP, CONTRARY TO MANY PREDICTIONS, WOULD NOT GAIN A LOT OF GROUND. IT MIGHT GET SOMEWHERE IN THE NEIGHBORHOOD OF 12 TO 13 PERCENT OF THE VOTES. HE THOUGHT THE PSD WOULD GO DOWN SLIGHTLY, THE CDS UP SLIGHTLY, AND THE SOCIALISTS WOULD HOLD THEIR OWN OR COME UP A BIT.

6. RELATIONS WITH THE PRESIDENT. ALSO IN RESPONSE TO A QUESTION, SOARES DESCRIBED HIS RELATIONS WITH EANES AS EXCELLENT. HE DID NOT UNDERSTAND HOW RUMORS GOT STARTED THAT EANES HAD DICTATORIAL AMBITIONS. THE TRUTH IS THAT HE IS A TRUE DEMOCRAT WHO ONLY INTERVENES WHEN NECESSARY. HE HAS GIVEN HIS TOTAL SUPPORT TO THE GOVERNMENT.

7. GOVERNMENT ADMINISTRATION. ASKED ABOUT ADMINISTRATION INEFFICIENCY, SOARES ATTRIBUTED THIS TO COMMUNIST PENETRATION OF THE MINISTRIES, PARTICULARLY EDUCATION, AGRICULTURE, AND LABOR. A HOUSECLEANING IS UNDERWAY, HE SAID, AND THE MACHINERY IS GRADUALLY BEING PUT BACK TO WORK. ALL THIS TAKES TIME.

8. LABOR UNIONS. EVEN MORE SERIOUS THAN THE INEFFECTIVENESS OF THE LABOR MINISTRY, SOARES NOTED, WAS THE PCP DOMINATION OF THE UNIONS THEMSELVES. THIS WAS THE WEAKEST POINT OF THE ENTIRE STRUCTURE. THE GOVERNMENT HAS FROM TIME TO TIME APPEALED OVER THE HEADS OF UNION LEADERSHIP WITH SOME SUCCESS BUT THIS WAS CLEARLY AN AREA WHERE MORE WORK WAS REQUIRED.

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9. RELATIONS WITH THE ASSEMBLY. ASKED ABOUT ALLEGATIONS OF FAILURE TO CONSULT WITH THE OPPOSITION AND THE ASSEMBLY, SOARES NOTED THAT THE ASSEMBLY HAD ONLY BEEN IN EXISTENCE ONE AND A HALF MONTHS. THE GOVERNMENT HAS SENT TO IT SOME THIRTY OR FORTY PROPOSALS AND THE ASSEMBLY HAD ONLY APPROVED THREE. THE FACT IS THE ASSEMBLY DID NOT FUNCTION PROPERLY. BOTH THE GOVERNMENT AND THE OPPOSITION HAD A LOT TO LEARN ABOUT HOW TO MAKE THE ASSEMBLY WORK. AN ADDITIONAL COMPLICATING FACTOR WAS THAT HIS IS A MINORITY GOVERNMENT WHICH HAS TO SEEK SUPPORT WHEREVER IT CAN FIND IT ON INDIVIDUAL ISSUES. FOR EXAMPLE, THE PCP HAD SUPPORTED THEM ON THE PROJECT FOR LOCAL ELECTIONS AND THE PSD HAD SUPPORTED THEM ON ENTRY INTO THE COUNCIL OF EUROPE. AS FAR AS THE BUDGET IS CONCERNED HE DOUBTED THE ASSEMBLY WOULD REJECT IT DESPITE THE PSD DECLARATION THAT IT WOULD OPPOSE PASSAGE. IF THE BUDGET WERE REJECTED THE GOVERNMENT WOULD HAVE NO CHOICE BUT TO PUT A MOTION OF CONFIDENCE. THE PCP WOULD NEVER VOTE FOR THE DOWNFALL OF THE GOVERNMENT BECAUSE THEY FEAR RIGHTIST MILITARY INTERVENTION. IN FACT, THE PCP TOLD SOARES THEY WOULD OPPOSE THE GOVERN-
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MENT ON THE THIRTEENTH MONTH SALARY ISSUE, BUT IF THE PSD WAS ALSO IN OPPOSITION THEY WOULD SWITCH AND SUPPORT THE GOVERNMENT TO AVOID CREATING A CRISIS. THE PSD TACTICS OBLIGE THE GOVERNMENT TO SEEK SUPPORT FROM THE PCP. "THIS IS A STUPID POLICY," SOARES COMPLAINED. HE NONETHELESS FELT CONFIDENT THAT HE COULD MEET WITH THE PSD AND CONVINCE THEM OF THE NEED TO BE MORE COOPERATIVE.

10. US SUPPORT. SOARES THANKED THE SENATOR FOR US ECONOMIC SUPPORT AND EXPRESSED THE STRONG HOPE THAT THE PRESENT NEGOTIATIONS ON FURTHER ASSISTANCE WOULD COME TO A SUCCESSFUL CONCLUSION. HE EMPHASIZED THE IMPORTANCE TO THE GOP OF RECEIVING PART OF THE FIRST LOAN IN THE PROPOSED THREE-STAGE PROGRAM IN CASH INSTEAD OF GOLD.

11. ABOVE MEMCON CLEARED BY SENATOR IN DRAFT.

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